

COMMONWEALTH OF KENTUCKY

ORIGINAL

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

MATRIX ENERGY, LLC)
FOR DETERMINATION OF)
RETAIL ELECTRIC SUPPLIER)

CASE NO. 2003-00228

**RESPONSE OF BIG SANDY RURAL ELECTRIC COOPERATIVE
CORPORATION TO DATA REQUESTS OF KENTUCKY POWER**

Big Sandy Rural Electric Corporation (Big Sandy) for its Response to the Data Request by "Kentucky Power" states as follows:

- (1) Please provide a map of suitable scale illustrating all transmission or distribution lines owned or controlled by Big Sandy RECC or EKPC within or proximate to the boundaries of the Matrix mine. The map should also illustrate any certified territorial boundaries in the area illustrated. If there are no facilities other than those illustrated on the map attached to the testimony of Arlie Daniel that are responsive to this request, please so state and no map need be provided. For each distribution or transmission facility illustrated on Mr. Daniel's map or any map produced in response to this data request, please provide the following information:
 - (a) the design voltage, operating voltage and thermal capacity (MVA) of the line;
 - (b) the date it was constructed and the distance from Matrix Mine service delivery point;
 - (c) whether the line is used to provide or is capable of providing single-phase or three-phase service.

ANSWER (1):

- (a) **Objection. This request is unduly burdensome and irrelevant. Without waiving the objection, "Big Sandy" states that none of its existing distribution lines in the area of the "Matrix Mine" provide sufficient capacity to serve the "Matrix Mine".**
- (b) **In or before 1955**
- (c) **Both.**

- (2) Please provide a map of suitable scale illustrating each existing transmission or distribution line owned or otherwise controlled by Big Sandy RECC that may be used to provide 34.5 kV service (or service at whatever voltages are requested by the customer) to the Matrix mine. The map should also illustrate any certified territorial boundaries in the area illustrated. If there are no facilities other than those illustrated on the map attached to the testimony of Arlie Daniel that are responsive to this request, please so state and no map need be provided. For each distribution or transmission facility illustrated on Mr. Daniel's map or any map produced in response to this data request provide the following information:
- (a) the design voltage, operating voltage and thermal capacity (MVA) of the line and whether the line is considered by Big Sandy RECC to be distribution or transmission;
 - (b) the date the line was constructed and its approximate distance from the Matrix mine service delivery point;
 - (c) whether the line is used to provide or is capable of providing single-phase or three-phase service;
 - (d) copies of any load flow studies performed to demonstrate the adequacy of facilities to supply the Matrix mine and any other loads for the foreseeable future;

ANSWER (2):

- (a) **Objection. See ANSWER (1) (A). Big Sandy does not own or control any transmission lines.**
 - (b) **Same as ANSWER (1) (b)**
 - (c) **Same as ANSWER (1) (C)**
 - (d) **None.**
- (3) Please provide a map of suitable scale illustrating each existing transmission or distribution line owned or otherwise controlled by EKPC that may be used to provide 34.5 kV service (and service at whatever other voltages are requested by the customer) to the Matrix mine. If there are no facilities other than those illustrated on the map attached to the testimony of Arlie Daniel that are responsive to this request, please so state and no map need be provided. For each distribution or transmission facility illustrated on Mr. Daniel's map or any map produced in response to this data request please provide the following information:

- (a) the voltage rating of the line and whether the line is considered to be a distribution or transmission line;
- (b) the date the line was constructed and its approximate distance from the Matrix mine service delivery point;
- (c) whether the line is used to provide or is capable of providing single-phase or three-phase service;
- (d) copies of any load flow studies performed to demonstrate the adequacy of facilities to supply the Matrix mine and any other loads for the foreseeable future.

ANSWER (3):

Please see attached Exhibit (Big Sandy Ex. A)

- (a) **The Thelma-Magoffin County line is a 69 kV transmission line.**
 - (b) **This line was constructed in 1990 and is approximately 5 miles from the Matrix mine entrance.**
 - (c) **The transmission line is capable of providing three-phase service.**
 - (d) **No load flow studies are available.**
- (4) Please identify each discussion, negotiation or other communication or meeting concerning the provision of retail electric service to the Matrix mine by Big Sandy RECC and/or EKPC. For each such event:
- (a) please identify the participants, their titles, the date, location and substance of the discussions, negotiations or other communications or meetings. If the only discussions, negotiations or other communications or meetings are those identified in the testimony filed on behalf of Big Sandy RECC in this proceeding please so state and such answer shall be deemed a sufficient response to this subpart;
 - (b) Provide a copy of any written or electronic document relating to, referencing or describing such event, whether such discussions, negotiations or other communications or meetings were identified in testimony filed by EKPC or in response to this data request.

ANSWER (4):

- (a) No additional discussion other than as stated in testimony.**
 - (b) All attached documents marked Big Sandy EX. B**
- (5) Please identify each discussion negotiation or other communication or meeting concerning the provision of temporary electric service (whether by Big Sandy RECC, EKPC, Kentucky Power or American Electric Power) to the Matrix mine. For each such event:

 - (a) please identify the participants, their titles, the date, location and substance of the discussions, negotiations or other communications or meetings. If the only discussions, negotiations or other communications or meetings are those identified in the testimony filed on behalf of Big Sandy RECC in this proceeding please so state and such answer shall be deemed a sufficient response to this subpart;
 - (b) Provide a copy of any written or electronic document relating to, referencing or describing such event, whether such discussions, negotiations or other communications or meetings were identified in testimony filed by EKPC or in response to this data request.

ANSWER (5):

- (a) None.**
 - (b) None.**
- (6) Please provide a map of suitable scale illustrating all lines and other facilities (whether such facility exists or not) to be used by Big Sandy RECC and/or East Kentucky Power Cooperative, Inc. in providing 34.5 kV service (or service at whatever voltages are requested by the customer) to the Matrix mine, including the bore holes indicated on the map referred to in Matrix' application. With respect to each line please indicate whether it is existing or will be constructed.

ANSWER (6):

Please see attached Big Sandy Ex. C

- (7) Please provide a schedule detailing the total cost for Big Sandy RECC and/or East Kentucky Power Cooperative, Inc. (including any costs to be paid directly by Matrix Energy to a vendor other than Big Sandy RECC or EKPC) to provide 34.5 kV service (or service at whatever voltages are requested by the customer) to the Matrix mine, including the bore holes indicated on the map referred to in Matrix' application.

ANSWER (7):

Objection. The data requested is not relevant to the issues. Without waiving this objection Big Sandy states that this information is not available at this time.

- (8) Please describe, with appropriate citation to and copy of any applicable statute, regulation, bylaw or other governing document or authority, any legal or other limitations on Big Sandy RECC's ability to provide retail electric service at or above any specified voltage.

ANSWER (8):

No known limitations.

- (9) Does Big Sandy RECC contend that the Matrix mine is a single "electric consuming facility" as that term is used in Chapter 278 of the Kentucky Revised Statutes? Please provide each fact upon which Big Sandy relies to support its answer.

ANSWER (9):

No. Big Sandy contends that Matrix is a "new electric consuming facility" as used in KRS Chapter 278.

- (10) If Big Sandy provides service to the Matrix mine by tapping the AEP transmission line, will Matrix Energy be required to pay Kentucky Power or American Electric Power directly or reimburse Big Sandy or East Kentucky Power Cooperative for any transmission charges imposed by Kentucky Power or American Electric Power? If the answer is yes, please explain the nature of Matrix Energy's responsibility. If the answer is no, please state the amount, explain who will be responsible, and whether Big Sandy will seek to recover in its next rate case any investments or expenses incurred in providing service to the Matrix mine.

ANSWER (10):

Yes. Matrix will pay Big Sandy monthly for providing electric service to the mine. Matrix will contract with Big Sandy RECC for reimbursement of transmission charges. Big Sandy's expenses are included in its current rate and will not be recovered in future rate cases.

(11) By voltage class at or above 12 kV, please provide the following information:

- (a) the total number of customers
- (b) a copy of the applicable tariff (only one copy of any tariff need be provided; if the tariff is applicable to more than one customer or location it need only be referenced with respect to subsequent responses) or special contract;
- (c) the total load.

ANSWER (11):

- (a) **26**
- (b) **LPR (see attached tariff: Big Sandy Ex. D)**
- (c) **25, 150 KVA**

(12) Without regard to whether Big Sandy RECC currently is providing such service, please identify any retail electric service ever provided by Big Sandy RECC within the above ground boundaries of the Matrix mine. For each such customer or location please provide the following information:

- (a) the service address;
- (b) the date service first was commenced at that location and if applicable, the date service was discontinued;
- (c) locate the retail electric service delivery point on a map of suitable scale that shows the boundaries of the Matrix Energy mining facility that is the subject of this proceeding.

ANSWER (12):

- (a) None.**
- (b) None.**
- (c) None.**

(13) If Big Sandy RECC never has provided retail electric service within the above ground boundaries of the Matrix mine, please identify the five delivery locations for retail electric service by Big Sandy RECC (whether active in September, 2003 or not) that are closest to the above ground boundaries of the Matrix mine. For each such location, please provide the following information:

- (a) the service address;
- (b) the date service first was commenced at that location and if applicable, the date service was discontinued;
- (c) locate the responsive retail electric service delivery point on a map of suitable scale that shows the boundaries of the Matrix mine;
- (d) the voltage at which service is delivered.

ANSWER (13):

- (a) None.**
- (b) None.**
- (c) None.**
- (d) None.**

(14) With respect to the averment in paragraph 5 of Big Sandy RECC's July 28, 2003 Response in this proceeding, please provide the following information concerning the "commercial and residential development in an area adjacent to the mine portal":

- (a) the size and nature of the development, the type of retail electric service to be provided by Big Sandy RECC, including delivery voltage and whether and whether delivery will be a single phase or three phase;

- (b) the identity of the developer, including its address;
- (c) estimated start and completion dates of the development;
- (d) projected load of the development when complete;
- (e) identify all transmission and distribution lines (whether existing or not) to be used to provide the service;
- (f) locate the boundaries of the development on a map of suitable scale;
- (g) the identity of each electric utility in whose certified territory the development will lie;

ANSWER (14):

- (a) **Unknown**
- (b) **Unknown**
- (c) **Unknown**
- (d) **Unknown**
- (e) **Unknown**
- (f) **Unknown**
- (g) **Unknown**

- (15) Please refer to paragraph 17 of Big Sandy RECC's July 28, 2003 Response in this proceeding. Please identify each fact upon which you rely in averring in paragraph 17 of your Response in this proceeding that the Commission should enter an order "permitting it [Big Sandy RECC] to extend its facilities through the certified territories of 'Kentucky Power' if such extension is necessary to supply electric service at the bore holes.

ANSWER (15):

The extension is necessary to connect its facilities. The extension is necessary for Big Sandy to serve its consumers within its own certified territory.

- (16) Please refer to the averments in paragraph 18 of Big Sandy RECC's July 28, 2003 Response in this proceeding. Please provide each fact upon which you rely in averring that Big Sandy "is willing and able to provide retail service to the entire mine and adjacent area." Your response should include at least the following:
- (a) the amount of time required for Big Sandy to provide such service once it is authorized by the Commission to do so;
 - (b) any consents, agreements, contracts, permits or authorizations required before Big Sandy RECC can provide the service and the amount of time to acquire them;
 - (c) any facilities that must be constructed, purchased or installed to provide the service and the amount of time required to do so;
 - (d) a map of suitable scale of the illustrating the "adjacent area" referred to in the Response;

ANSWER (16)

- (a) **See Testimony of Gregory L. McKinney, page 6, 7.**
 - (b) **Matrix will be required to execute electrical service contracts, grant rights-of-way easements for transmission line and substation, contract for reimbursement of transmission construction costs. In addition, Big Sandy must receive authorization from the Commission to provide the retail electric service.**
 - (c) **See Testimony of Gregory L. McKinney, page 6, 7.**
 - (d) **This area is unknown to Big Sandy at this time.**
- (17) Please refer to the answer to Question 21 (page 9) of the pre-filed testimony of Paul Horn. Does Big Sandy RECC agree with Mr. Horn's calculation of the total cost per month for electric service by Big Sandy RECC to the Matrix mine.
- (a) If not, please provide Big Sandy RECC's calculation of the total cost per month for electric service by Big Sandy RECC to the Matrix mine.
 - (b) Please provide the source for all costs or charges by reference to the applicable tariff.

ANSWER (17)

(a)(b) Objection. The data requested is not relevant to the issues. Without waiving this objection, Big Sandy states that it does not agree with Mr. Horn's testimony regarding the cost per month for electric service. However, Big Sandy does agree with the amount of this cost as stated in Matrix's response to Big Sandy data request.

- (18) Please refer to the map attached to the testimony of Arlie Daniel filed on behalf of Big Sandy RECC. With respect to that map, please provide the following information:
- (a) The purpose or significance of the map label "End of line";
 - (b) If the purpose of the map label "End of line" is to identify the physical terminus of Big Sandy's distribution line, explain in detail what the line drawn on the map connecting the "End of line" and the Matrix mine (green dot) signifies;
 - (c) Does Big Sandy RECC propose to serve the Matrix mine by extending the existing distribution line to the Matrix mine? If so, please explain in detail Big Sandy RECC's plans for doing so, including its plans for providing three phase service to the mine mouth at 34.5 kV as requested by Matrix (or service at whatever voltage are requested by the customer).

ANSWER (18)

- (a) **"End of line" means the end of Big Sandy's distribution line as of November 3, 1988.**
 - (b) **Prior to November 3, 1988 Big Sandy's distribution line extended to near the mouth of Bear Water Branch where the Matrix mine entrance is located.**
 - (c) **No.**
- (19) Please refer to the pre-filed testimony of Bruce A. Davis, Jr. With respect to Mr. Davis' answer to Question 11, please provide the following information:
- (a) by his testimony that "[t]he most economical means of doing this [providing dependable electrical service to the new mine and future bore holes] is by way of interconnect with the 'AEP' transmission line" does Mr. Davis mean in comparison to service being provided by AEP or

simply that this would be the most economical means for Big Sandy RECC to provide such service?;

- (b) if Mr. Davis is testifying it would be more economical for Big Sandy to provide the requested service to Matrix mine and bore holes than for AEP (Kentucky Power) to provide such service, please provide each and every fact, including all calculations and the source of all costs used, upon which Mr. Davis relies in so testifying.

ANSWER (19):

- (a) **It is the most economical means for Big Sandy RECC to provide the service.**
 - (b) N/A
- (20) Please refer to the pre-filed testimony of David Estepp. With respect to Mr. Estepp's answer to Question 6, please provide the following information:
- (a) please explain what is meant by "potential territorial disputes;"
 - (b) does Big Sandy RECC contest the need for the bore holes to provide electric service to the mine or their location within AEP's certified territory? If so, please provide all facts upon which Big Sandy RECC relies in so contending;
 - (c) does Big Sandy RECC contend that Matrix Energy may meet the needs of its mining facility by taking electrical service from Big Sandy RECC/EKPC at less than 34.5 kV? If so, please provide all facts upon which Big Sandy RECC relies in so contending;
 - (d) does Big Sandy RECC contest Mr. Horn's testimony in response to Question 7 (page 3) of his pre-filed testimony that "SeventyFive (75%) of the total mineable coal reserves in the Alma coal seam are located in the service territory of AEP.?" If so, please provide all facts upon which Big Sandy RECC relies in so contending.

ANSWER (20):

- (a) **A service that extends over or across two adjacent certified electrical distribution territories.**

(b) No.

(c) No.

(d) No.

- (21) Please refer to the testimony of Gregory L. McKinney. Please provide each and every fact upon which Mr. McKinney relies in stating at page 5 of his pre-filed testimony: "EKPC and Big Sandy can provide the same source voltage and offer the same flexibility to Beechfork that Paul Horn is claiming AEP has offered to Beechfork."

ANSWER (21):

Please refer to page 8 of the pre-filed testimony of Paul Horn. Mr. Horn states:

"AEP has indicated that it will construct a substation adjacent to the 69 kV transmission line, supply 34.5 kV from this substation to a 12,470 volt substation at the mouth of the mine. This will help to avoid the loss of power and the potential damage of the electric motors used by Matrix."

Once EKPC establishes a 69 kV interconnection agreement with AEP for the purpose of radially serving the Matrix load, EKPC, at Matrix's request, has the resources and expertise to construct, own and maintain a new 69-34.5 kV substation adjacent to the AEP 69 kV line. Furthermore, EKPC has the resources and expertise to construct, own and maintain a new 34.5 kV line from the 69-34.5 kV substation to a new 34.5-12.47 kV substation at the mouth of the mine. This fact is evident based on EKPC's existing transmission and substation facilities that currently operate at 69, 34.5 and 12.47 kV. These existing facilities were constructed by EKPC and are currently owned and maintained by EKPC.

Mr. Horn also states:

"AEP has also offered to allow Matrix the option of constructing the line from the 34.5 kV substation to a 12, 470 volt substation at the mouth of the mine, as well as building these two substations."

After EKPC establishes a 69 kV interconnection agreement with AEP, a metering point can be provided to Matrix at 69 kV. Beyond that point, Matrix can construct, own and maintain a 69-34.5 kV substation, a 34.5 kV line and a 34.5-12.47 kV substation and any other facilities deemed necessary to serve its load. A number of similar arrangements currently present on the EKPC system support this fact.

- (22) Please refer to page 5 of the pre-filed testimony of Gregory L. McKinney. Please provide each and every fact upon which Mr. McKinney relies in testifying that “Beechfork will not have to wait for Big Sandy to contact EKPC, and then EKPC to contact AEP to inform it of the problem, determine the cause of the problem and to solve the problem.”

ANSWER (22):

Please refer to pages 10 and 11 of the pre-filed testimony of Paul Horn. Mr. Horn is claiming that if Big Sandy RECC serves the load, Matrix will have “to wait for Big Sandy to contact EKP, and then for EKP to contact AEP to inform it of the problem....” In the event of a “blackout or brownout condition” on the transmission system. If there are system disturbances on the AEP Dewey – Inez 69 kV transmission system, including the potential 69 kV tap to the Matrix mine, AEP will be notified immediately through its energy management system and respond in the same fashion regardless if Matrix is an AEP load or a Big Sandy load. In the event that Big Sandy RECC is granted permission to serve the Matrix load, EKPC will request Network Integration Transmission Service (“NITS”) from AEP under its FERC approved Open-Access Transmission Service (“OATT”). NITS is defined in Section 28.3 of AEP’s OATT as follows:

The Transmission Provider (AEP) will provide firm transmission service over its Transmission System to the Network Customer (EKPC) for the delivery of capacity and energy from its designated Network Resources to service its Network Loads (Big Sandy RECC/Matrix) on a basis that is comparable to the Transmission Provider’s use of the Transmission System to reliably serve its Native Load Customers.

This basically means that AEP will provide the same level of transmission service to an EKPC/Big Sandy RECC/Matrix load as it will to its native load customers (Pevler Mine, Massey Mine, Inez S.S.). Matrix will receive the same level of response from AEP regardless if it is a native load of AEP or an EKPC network load on the AEP system.

- (23) Please refer to page 7 of the pre-filed testimony of Gregory L. McKinney. Which company, EKPC or Big Sandy RECC, would own “the feeders” referred to by Mr. McKinney in his response “EKPC/Big Sandy can own the 34.5 kV feeders...” If jointly owned by EKPC and Big Sandy RECC, please provide all details concerning the ownership, as well as the manner in which operation and maintenance of the jointly-owned facilities would be governed.

ANSWER (23):

If Matrix requires 34.5 kV service from Big Sandy RECC, EKPC, on behalf of Big Sandy RECC, would construct, own and maintain all 34.5 kV facilities from the 69-34.5 kV substation to the Big Sandy/Matrix metering point.

Respectfully submitted,

**Albert A. Burchett
P O Box 0346
Prestonsburg KY 41653
Attorney for Big Sandy
Rural Electric Cooperative
Corporation
Phone (606)874-9701
Fax (606)874-8010**

**J. Scott Preston
308 Main Street
Paintsville KY 41240
Phone (606)789-7211**

By:


Albert A. Burchett

CERTIFICATE OF SERVICE

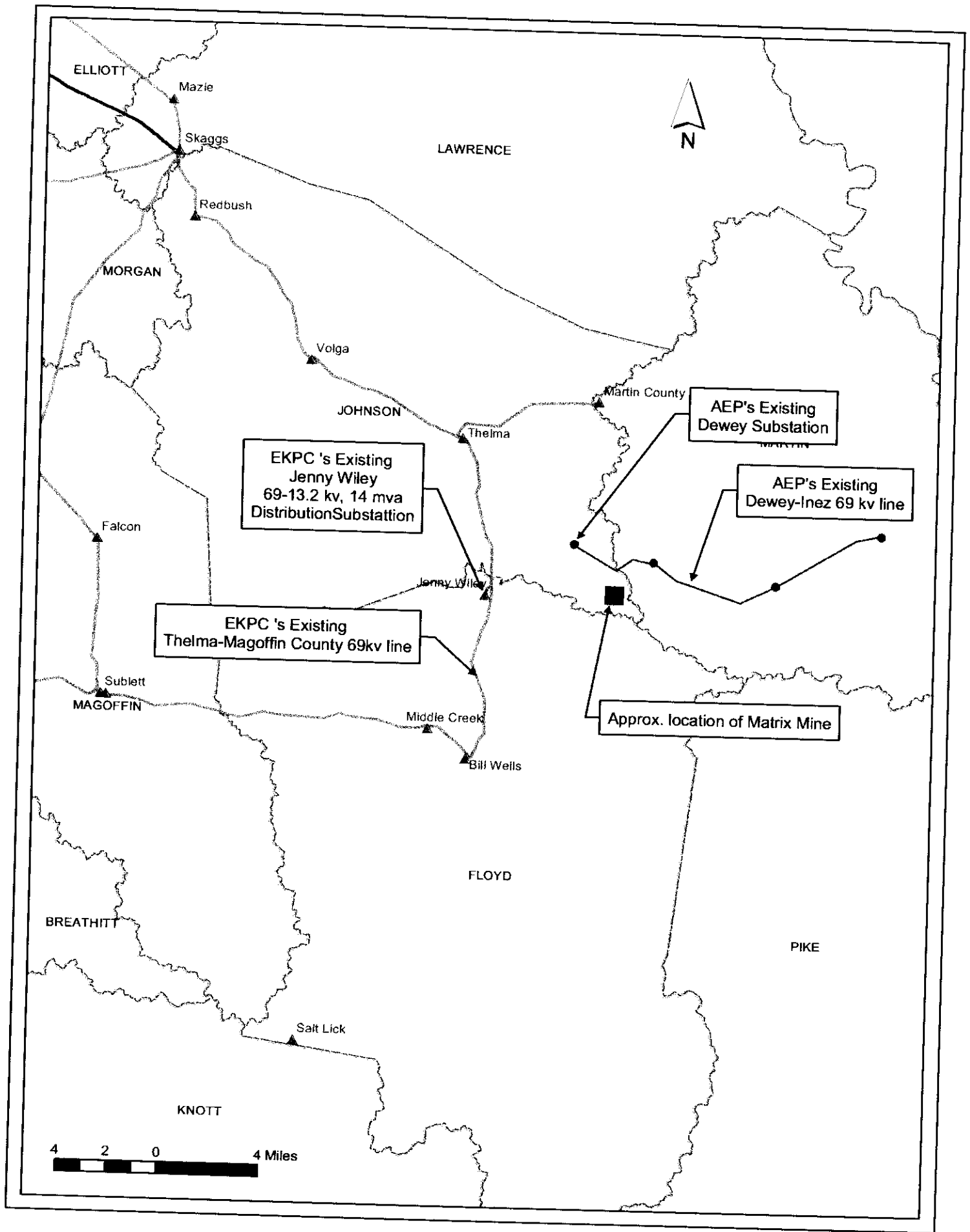
The undersigned hereby certifies that a copy of the foregoing Document Request was served by hand delivery on November 19, 2003 upon:

**Robert C. Moore
HAZELRIGG & COX, LLP
415 West Main Street, 1st Floor
P O Box 676
Frankfort KY 40602-0676**

**Mark R. Overstreet, Esq.
STITES & HARBISON, PLLC
421 West Main Street
P O Box 634
Frankfort KY 40602-0634**


Attorney For "Big Sandy"

11



SECRET

David Esteppe

From: Greg McKinney [gregm@ekpc.com]
Sent: Friday, March 01, 2002 10:45 AM
To: desteppe@bellsouth.net
Cc: Mary Jane Warner; James Bridges (E-mail)
Subject: Service to Beech Fork Processing Coal Mining Load

David,

On Friday, February 15th, Mary Jane Warner, George Carruba and I met with several AEP representatives to discuss this potential interconnection (and others) and other associated issues. In summary, AEP prefers EKPC to tap its 138 kV line instead of the 69 kV line. They indicated that the 69 kV line is not strong enough to support the additional load in the event of losing its 138 kV source. This option would require EKPC to make a capital investment of approximately \$835,000, and is approximately \$210,000 in present worth dollars more than the 69 kV option over a 20 yr period. Transmission service from EKPC would require a capital investment of approximately \$1,529,000.

In our meeting with Beech Fork sometime ago, Beech Fork estimated the load to be 5,000 - 10,000 kW. At that time, due to the location and size of the load, Jim Bridges and I indicated that it would be awfully hard, if not impossible, to serve the load from Jenny Wiley. On February 25th, Paul Horn emailed me new loading information that is somewhat different than their original estimate. Now, they are estimating the load to start at 2,121 kW (758,460 kWh/month) for the first six months and eventually grow to 3,344 kW (1,176,960 kWh/month) over an 18 month period. It would stay at this level until the 7th or 8th year and go to 0 in year 10. Paul indicated on the phone that Beech Fork would only be interested in agreeing to a short term contract (2-5 yr).

Now, there are several questions that we have to answer. How much can EKPC/Big Sandy afford to invest for this load? Can the 3.3 MW load be served from Jenny Wiley with some system improvements? Do we need to require the customer to pay for some of the facilities up front? What facilities can we build to meet their in service date of January 2003? These are some of the questions that need to be answered before we can proceed with constructing the solution.

I have asked Jim Bridges to determine the impact and required facilities to serve the 3.3 MW from Jenny Wiley Substation. He will work on that the first of next week. I have also asked our pricing people to determine if we need to ask the customer to pay for a portion of the investment. Both pieces of information will be available sometime next week.

If we need to construct a new substation, I am in favor of locating it such that Big Sandy can get some long-term benefits from it and not just locating it to serve Beech Fork. One possible location is at the open point between the Martin Co circuit and the Jenny Wiley circuit. I think that location is closer to EKPC's transmission line, and therefore, would be less expensive.

Timing is very critical. A substation and tap project of this nature would typically take EKPC 18-24 months to complete. Working out a solution with AEP may take longer. By the end of next week, after some important information is gathered, I hope to be in a position to make a recommendation.

I will keep you informed.

Sincerely,

Greg McKinney, P.E.
Senior Engineer
East Kentucky Power Cooperative

CZAR COAL CORP. ALAM PROJECT

Timeline

Mining Unit

Start Date _First Six (6) Months	__ One (1) Section	1,000 kw / 250,000 kwh per month
	__ Slope Belt	746 kw / 286,460 kwh per month
	__ Hoist	225 kw / 110,000 kwh per month
For First 1 ½ Years	__ Fan	150 kw / 112,000 kwh per month

Total **2,121 kw / 758,460 kwh per month**

Mining Unit

After First Six (6) Months	__ Two (2) Section	2,000 kw / 500,000 kwh per month
After First 1 ½ Years	__ Fan	373 kw / 277,500 kwh per month

Total After 1 ½ Years **3,344 kw / 1,176,960 kwh per month**



EAST KENTUCKY POWER COOPERATIVE

March 25, 2002

Mr. Dennis W. Bethel, Director
Transmission & Interconnection Services
American Electric Power
1 Riverside Plaza
Columbus, OH 43215-2373

Dear Mr. Bethel:

East Kentucky Power Cooperative, Inc. (EKPC) requests a System Impact Study and a Facilities Study for serving a new delivery point ("Beechfork") in Johnson County, Kentucky. As you may recall, this project was discussed in general during the EKPC/AEP meeting on February 15th in Gahanna, Ohio.

Exhibit I (attached) is a vicinity map depicting the approximate delivery point location with respect to AEP's transmission facilities. It appears that two sources are available in the area, one 69 kV line and one 138 kV line. At this time, EKPC prefers interconnecting with the 69 kV source. Exhibit II (attached) shows the anticipated load as estimated by the customer. The load level is much lower than that originally requested by the customer and discussed in our meeting. Specific information about the project, as known at this time, follows.

- Targeted in-service date is January 2003
- Coal Mining Load
- Largest motor is 1200 horse-power

From past communications, I understand the next step will be your issuance of a System Interconnection Study Agreement describing the purpose, scope and estimated cost of the study. Please initiate the Facilities Study Agreement in the same communication. We will review the agreements and make a separate request for transmission service.

To meet the consumer's required in-service date of January 2003, EKPC also request that these studies be complete by May 31, 2002. Please notify me in writing (or by email) within seven days from the time this letter is received if study results cannot be attained by this date.

Please let me know if I can assist in any way with our requests.

Sincerely,

Greg McKinney, P.E., Senior Engineer
Power Delivery Expansion

c: Bernard M. Pasternack, AEP, Director Transmission Planning
Paul Atchison, EKPC
Mary Jane Warner, EKPC
Bruce Davis, Big Sandy RECC, President and General Manager
~~David Estep, Big Sandy RECC, Manager of Finance and Administration.~~

(gmckiney)

4775 Lexington Road 40391
P.O. Box 707, Winchester,
Kentucky 40392-0707

Tel. (859) 744-4812
Fax: (859) 744-6008
<http://www.ekpc.com>

EXHIBIT I

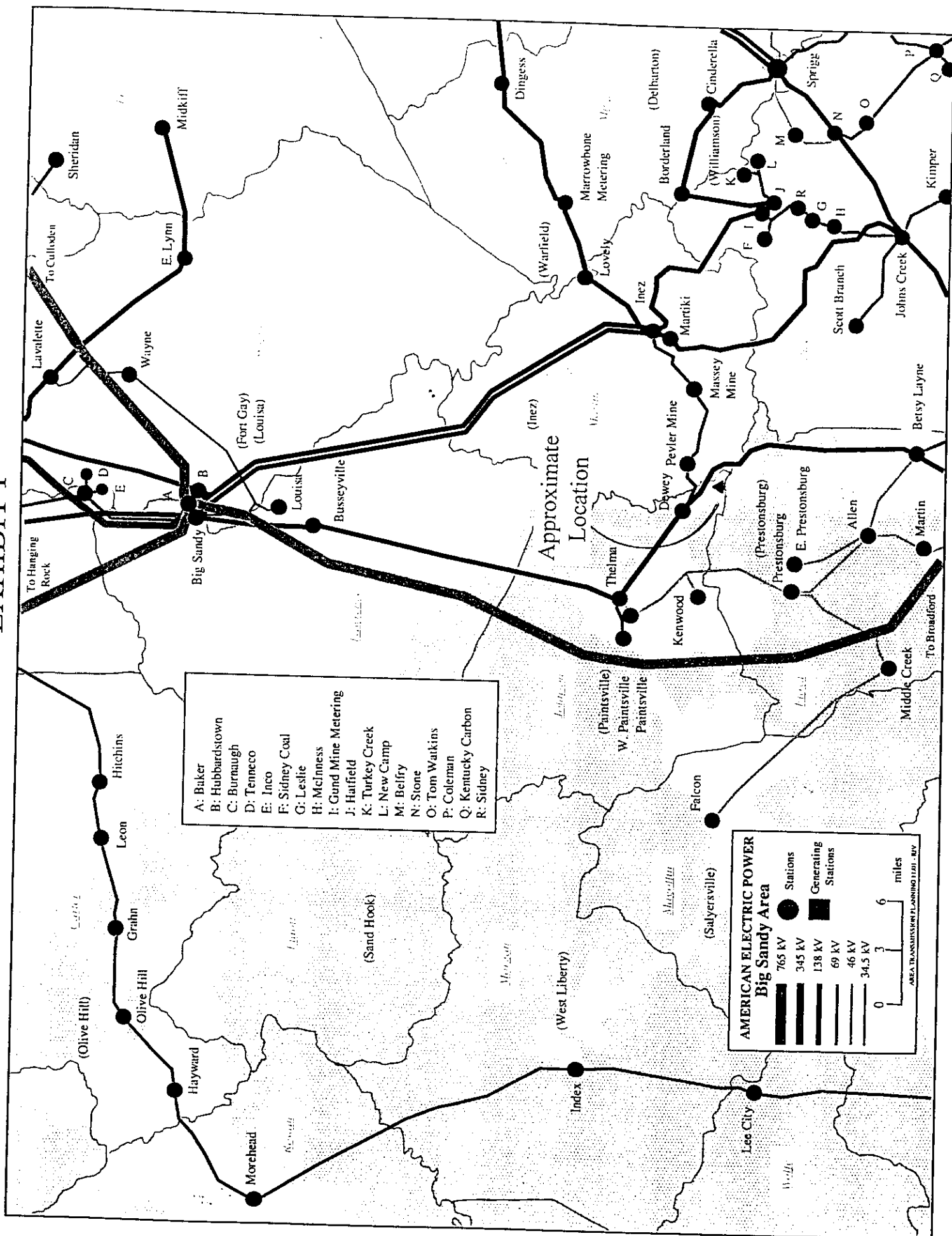


EXHIBIT II

Projected Load

<u>Year</u>	<u>Peak kW</u>	<u>Monthly kWh</u>
2003	2,121	758,460
2004	3,344	1,176,960
2005	3,344	1,176,960
2006	3,344	1,176,960
2007	3,344	1,176,960
2008	3,344	1,176,960
2009	3,344	1,176,960
2010	2,121	758,460
2011	2,121	758,460
2012	2,121	758,460

Note: A minimum power factor of 90% lagging will be required.

David Estepp

From: Greg McKinney [gregm@ekpc.com]
Sent: Tuesday, April 02, 2002 8:44 AM
To: destepp@bellsouth.net
Subject: FW: Request for Studies Re: New Mining Load near Dewey, Ky.

David,

FYI, here is AEP's response to my letter dated 3/25/02 requesting AEP to perform a system impact study and facilities study for serving Beechfork.

Please give me a call if you want to discuss this more in detail.

Thanks.

Greg McKinney
East Kentucky Power Cooperative

-----Original Message-----

From: dwbethel@aep.com [mailto:dwbethel@aep.com]
Sent: Monday, April 01, 2002 5:24 PM
To: Greg McKinney
Cc: mahmed@aep.com; mchau2@aep.com; fkelmes@aep.com; kfduffy@aep.com
Subject: Request for Studies Re: New Mining Load near Dewey, Ky.

Greg,

As we discussed Monday (4/1/02), AEP will be happy to prepare the System Impact and Facility Studies you request for a new 69 kV delivery point in Johnson County, Kentucky, referred to in your letter dated March 25, 2002 as "Beechfork". Normally, such studies are done in connection with a request for either Firm Point-to-Point or Network Integration Transmission Service. Your letter requested only the studies be considered at this time.

When done in connection with requests for transmission service, the Open Access Transmission Tariff (OATT) provides that the Transmission Provider offer the Customer a System Impact Study Agreement within 30 days of receipt of a valid request for firm transmission service. The Customer is then permitted 15 days to execute the agreement, and retain their position in the request queue. Once the executed System Impact Study Agreement is received, AEP would normally have 60 days to prepare the study. If the study cannot be completed in that time frame, AEP is to provide an explanation and estimated date for completion. A similar timeline applies to Facility Studies.

While the OATT procedures may not be binding in this particular instance, AEP will use reasonable efforts to comply with your requests in the timeframe set out by the OATT. We note that you have requested completion of the studies by May 21, 2002. While it is doubtful that such an ambitious schedule can be met, AEP will be mindful of your target, and the ultimate consumer's anticipated January 2003 in-service date.

Per our discussion, you supplemented the information in your request by asking that AEP plan for (1) a radial connection to the 69 kV system (you prefer a line tap over a station connection, if possible), and (2) consider EKPC's J. K. Smith combustion turbine generating station to be the likely source of the power for this new load under peak load conditions. You would also like AEP to analyze whether the system may be sensitive to dispatch of the power from other sources, including generation in the AEP control area. The study agreement will identify a proposed scope of study in that particular area, which can be expanded or restricted (with some cost impact) according to your preference.

AEP will forward a draft of the System Impact Study Agreement to you just as soon as it can be completed. To save time in preparation, our standard form of agreement for generator interconnections will be modified to capture the scope and expected cost of the

studies needed in this particular case. Once we are in agreement on the scope of the System Impact Study, the final estimated study cost and agreement will be provided. In keeping with procedures for IPP connections, a deposit equal to at least 1/2 the expected study costs will be requested. I would recommend that we reach agreement on the System Impact Study scope, before proceeding to draft the Facility Study Agreement.

If you have any comment or correction in the above, please reply in kind.

Best Regards,

David Estepp

From: Greg McKinney [gregm@ekpc.com]
Sent: Friday, April 05, 2002 9:46 AM
To: destepp@bellsouth.net
Subject: Preliminary Contracts for Beechfork



CZAR AIC.doc (28 KB) IPA.doc (39 KB) m02-01.pdf (57 KB)

David,

Attached are preliminary contracts for Beechfork. This includes "Industrial Power Agreement" and the "Aid In Construction Agreement". Also attached is a pdf of "Appendix A" that is a part of the Aid In Construction Agreement.

Please Review and give me a call.

Also, on April 15th I will be bringing Dominic Ballard and Doug Meadows who are responsible for designing the transmission line and substation. Dominic indicated to me that it would be good if we could meet with the airport officials concerning issues involving the transmission line when we visit the site. Do you have any contact information on the airport?

Thanks.

Greg McKinney
ext. # 224

<<CZAR AIC.doc>> <<IPA.doc>> <<m02-01.pdf>>

David Estepp

From: Greg McKinney [gregm@ekpc.com]
Sent: Thursday, May 16, 2002 2:19 PM
To: destepp@bellsouth.net
Cc: Dominic Ballard; Doug Meadows
Subject: RE: Beechfork

David,

AEP is working on the system impact study. I expect to see the results of that study toward the end of June. I don't anticipate any major problems from AEP with serving this load. However, I think it would be wise to wait for the results before we start spending a lot of time and money toward designing and constructing the facilities. The next steps, after AEP's approval, would be to take this project before EKPC's Board of Directors for approval, get contractual agreements with the customer (including rights-of-way and sub site) and then design and construction. If everything works out with AEP, I think we will be in good shape to complete the project on time. Right now, I am waiting on AEP's results before proceeding on with the other items.

I hope this helps.

Thanks.

Greg McKinney, P.E.
Senior Engineer
Power Delivery Expansion
East Kentucky Power Cooperative
4775 Lexington Road 40391
P.O. Box 707
Winchester, KY 40392-0707
Tel: (859) 744-4812
Fax: (859) 744-6008

-----Original Message-----

From: David Estepp [mailto:destepp@bellsouth.net]
Sent: Thursday, May 16, 2002 9:22 AM
To: Greg McKinney
Subject: Beechfork

Greg,

Bruce wants an update on the project. Can you tell me what is going on and what is the next step?

Thanks,

David

Big Sandy RECC
Manager of Finance & Adm.

5/16/2002

David Estepp

From: Greg McKinney [gregm@ekpc.com]
Sent: Wednesday, June 05, 2002 8:46 AM
To: Mary Jane Warner
Cc: David Estepp (E-mail)
Subject: FW: EKPC - Beechfork, KY (#4014) System Impact Study Report



4014_EKPC_Beechf
ork_SIS.pdf (1...

Mary Jane,

AEP has completed the System Impact Study for the Beechfork project. Please see the attached document. The load does not introduce any major problems to the AEP system. I plan to follow up with Mohammed and then proceed with making a Facilities Study request.

Greg McKinnney
ext #224

-----Original Message-----

From: mahmed@aep.com [mailto:mahmed@aep.com]
Sent: Monday, June 03, 2002 10:34 AM
To: Greg McKinney
Cc: bmpasternack@aep.com; mchau2@aep.com; dwbethel@aep.com; kfduffy@aep.com
Subject: EKPC - Beechfork, KY (#4014) System Impact Study Report

Dear Greg:

The attached file contains System Impact Study (SIS) report for EKPC's proposed new delivery point "Beechfork" in Johnson County, Kentucky (AEP Project #4014). The SIS study was conducted by AEP per the Agreement dated April 22, 2002. Following EKPC's review and at their request, a Facilities Study (FS) Agreement will be sent to you for your signature. Please be advised that SIS and FS only addresses the feasibility and the steps that must be taken to actually establish the new delivery point from the AEP System. Neither of these studies address Transmission Service Interconnection Agreement requirements. If you have any questions, please call Max Chau (614-552-1690) or me.

(See attached file: 4014_EKPC_Beechfork_SIS.pdf)

Sincerely,

Mohammed Ahmed
East Area Transmission Planning
Transmission Asset Management
825 Tech Center Drive
Gahanna Ohio 43230
Phone: (614) 552-1669 Cell: (614) 204-7761 Fax: (614) 552-1676
Email: mahmed@aep.com

David Estep

From: Greg McKinney [gregm@ekpc.com]
Sent: Friday, June 07, 2002 11:46 AM
To: David Estep (E-mail)
Subject: FW: EKPC "Beechfork" Facilities Study

David,

EKPC has now requested that the Beechfork Facility Study be performed by AEP. This study will determine what facilities will be required by AEP to serve the coal load. It will also determine the cost of those facilities.

The next step of this process is establishing an interconnection agreement for transmission service with AEP. I will make this request for transmission service before the Facilities Study is complete.

Please pass this on to Mr.. Davis.

Thanks.

Greg McKinney

-----Original Message-----

From: Greg McKinney
Sent: Friday, June 07, 2002 11:39 AM
To: 'mahmed@aep.com'
Cc: bmpasternack@aep.com; mchau2@aep.com; dwbethel@aep.com; kfduffy@aep.com; Paul Atchison; Mary Jane Warner; Greg McKinney
Subject: EKPC "Beechfork" Facilities Study

June 10, 2002

Mr. Mohammed Ahmed
East Area Transmission Planning
Transmission Asset Management
825 Tech Center Drive
Gahanna, Ohio 43230

Dear Mr. Ahmed:

After reviewing the completed System Impact Study performed by AEP for serving a new delivery point ("Beechfork") in Johnson County, Kentucky, EKPC requests that AEP perform the related Facilities Study.

I look forward to receiving the Facilities Study Agreement within 7 to 10 days. Please let me know if I can assist in any way with our request.

Sincerely,

6/7/2002



EAST KENTUCKY POWER COOPERATIVE, INC.

4775 LEXINGTON ROAD

P.O. BOX 707

WINCHESTER, KENTUCKY 40392-0707

TEL. (859)744-4864 FAX. (859)744-6008

BILLED TO: Beechfork Processing
P O Box 190
Lovely, KY 41231

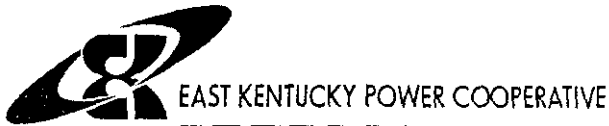
INVOICE NUMBER 032297

INVOICE DATE 11/20/02
Customer #M10146

QUANTITY	DESCRIPTION	UNIT PRICE	AMOUNT
	One-half of the estimated cost of the AEP System Impact Study (SIS)		5,000.00
	One-half of the estimated cost of the AEP Facilities Study (FS)		10,000.00
	Remainder costs for AEP SIS and FS		6,454.47
PAYMENT DUE 10TH OF THE MONTH FOLLOWING INVOICE DATE			
QUESTIONS REGARDING THIS INVOICE SHOULD BE DIRECTED TO DONNA WALTERS AT EXT 413# OR HER E-MAIL ADDRESS: DONNAW@EKPC.COM			

TOTAL AMOUNT THIS INVOICE

\$21,454.47



April 16, 2003

Bruce Davis, President & General Manager
Big Sandy RECC
504 Eleventh Street
Paintsville, KY 41240-1422

Dear Bruce:

Subject: Beechfork Processing

Payment for the System Impact Study & Facilities Study for electrical service to Beechfork Processing's new load in Johnson County is still outstanding and overdue. Please contact Beechfork Processing to secure payment for these services as soon as possible.

We also need information regarding their request for service and their proposed project schedule. The originally proposed energization date of January 2003 has passed and the project will not be included in EKPC's or AEP's construction plans until the above-mentioned information is received.

Please inform Beechfork Processing that significant time lapse between actual energization date and the System Impact & Facilities Studies can result in changes in study costs and transmission costs if system conditions change. If AEP requires another study to be performed, because of this time lapse, then Beechfork's project could be delayed.

If you have any questions or would like to discuss further, please call.

Sincerely

A handwritten signature in cursive script, appearing to read "Mary Jane Warner".

Mary Jane Warner, P.E., Manager
Power Delivery-Expansion

MJW:jkr

(M:beechfork)

EKPC COST ESTIMATES FOR STUDY ALTERNATIVES

INEZ SUBSTATION EVALUATION Martin County Substation Service Area

	<u>Estimated Cost (2002 \$'s)</u>
<u>Plan A - Upgrade the Distribution System at existing voltage levels</u>	
1. Transmission - No Requirements through Study Period	
2. Substation - No Requirements through Study Period	
<u>Plan B - Construct New 11.2/14 MVA Substation Near Inez (Site 1)</u>	
1. Transmission	
5.9 Mile, 266.8 ACSR, 69 kV Tap from EKPC	\$1,082,060
2-way, 69 kV Switch and Tap Structure	\$28,000
2. Substation	
New Inez 11.2/14 MVA, 69-12.5 kV Substation	\$517,000
OR	
New Inez 5.6/6.44 MVA, 69-12.5 kV Substation	\$377,000
<u>Plan C - Construct New 11.2/14 MVA Substation Near Inez (Site 2)</u>	
1. Transmission	
6.0 Mile, 266.8 ACSR, 69 kV Tap from EKPC	\$1,100,400
2-way, 69 kV Switch and Tap Structure	\$28,000
2. Substation	
New Inez 11.2/14 MVA, 69-12.5 kV Substation	\$517,000
OR	
New Inez 5.6/6.44 MVA, 69-12.5 kV Substation	\$377,000

2000 PRS LOAD FORECAST **Martin County Substation**

Season	NCP Winter (MW)	
	Normal	Extreme
1999-00	8.8	8.8
2000-01	8.9	8.9
2001-02	9.0	9.0
2002-03	10.0	11.5
2003-04	10.3	11.8
2004-05	10.5	12.1
2005-06	10.7	12.3
2006-07	11.1	12.8
2007-08	11.3	13.0
2008-09	11.7	13.4
2009-10	12.0	13.8
2010-11	12.3	14.1
2011-12	12.5	14.3
2012-13	12.8	14.6
2013-14	13.1	15.0
2014-15	13.3	15.3
2015-16	13.7	15.7
2016-17	14.1	16.1
2017-18	14.5	16.6
2018-19	14.8	16.9

Existing Xfmr Rating: **15.72** **MVA**
With Fans Installed: **18.14** **MVA**

Winter PF: 0.9826

Season	NCP Summer (MW)	
	Normal	Extreme
1999	5.9	5.9
2000	5.9	5.9
2001	6.0	6.0
2002	7.3	8.6
2003	7.3	8.6
2004	7.5	8.8
2005	7.6	9.0
2006	7.8	9.2
2007	7.8	9.3
2008	8.0	9.5
2009	8.3	9.9
2010	8.5	10.1
2011	8.7	10.3
2012	8.9	10.5
2013	9.1	10.8
2014	9.4	11.1
2015	9.6	11.4
2016	9.9	11.7
2017	10.3	12.1
2018	10.5	12.4
2019	10.8	12.7

Existing Xfmr Rating: **11.08** **MVA**
With Fans Installed: **13.62** **MVA**

Summer PF: 0.9497

EAST KENTUCKY POWER COOPERATIVE

Fixed Charge Rate (October1999)

	Distribution			
	Substations		Related Transmission(1)	
	RUS Insured Rate (2)	CFC Rate(3)	RUS Insured Rate (2)	CFC Rate(3)
Interest Rate	5.25	8.60	5.25	8.60
Margins	0.79	1.29	0.79	1.29
Sinking Fund Depreciation	1.44	0.79	1.44	0.79
Taxes + Insurance	0.16	0.16	0.53	0.53
Replacements & Renewals	0.30	0.30	0.30	0.30
O & M	2.00	2.00	3.25	3.25
Total:	9.94	13.14	11.56	14.76
Weighted Average:	10.90		12.52	

NOTES:

- (1) Transmission tap lines.
- (2) Applicable to first 70% of EKPC's total annual distribution expenses.
- (3) Applicable to last 30% of EKPC's total annual distribution expenses.

EAST KENTUCKY POWER COOPERATIVE

AVOIDED CAPACITY & AVOIDED ENERGY CHARGE FOR DISTIRBUTION LOSSES

YEAR	AVOIDED CAPACITY (\$/kW -yr)	AVOIDED ENERGY (\$/kWh)
2002	\$26.88	\$0.0290
2003	\$50.64	\$0.0293
2004	\$53.16	\$0.0253
2005	\$60.96	\$0.0220
2006	\$51.72	\$0.0232
2007	\$60.24	\$0.0244
2008	\$90.12	\$0.0240
2009	\$103.20	\$0.0262
2010	\$60.84	\$0.0265
2011	\$64.68	\$0.0284
2012	\$65.79	\$0.0275
2013	\$66.90	\$0.0289
2014	\$68.01	\$0.0300
2015	\$69.12	\$0.0309
2016	\$70.23	\$0.0318
2017	\$71.34	\$0.0327
2018	\$72.45	\$0.0336
2019	\$73.56	\$0.0345
2020	\$74.67	\$0.0354
2021	\$75.78	\$0.0363
2022	\$76.89	\$0.0372
2023	\$78.00	\$0.0381
2024	\$79.11	\$0.0390
2025	\$80.22	\$0.0399
2026	\$81.33	\$0.0408
2027	\$82.44	\$0.0417
2028	\$83.55	\$0.0426
2029	\$84.66	\$0.0435
2030	\$92.92	\$0.0444
2031	\$101.36	\$0.0453
2032	\$109.99	\$0.0462

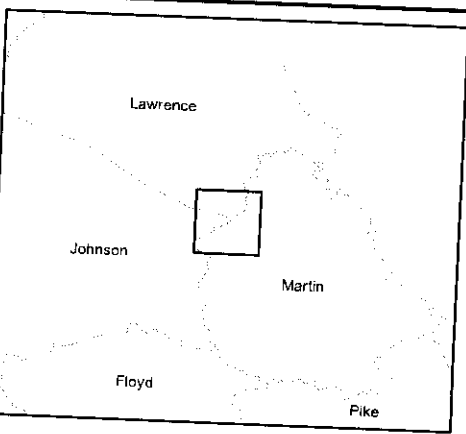
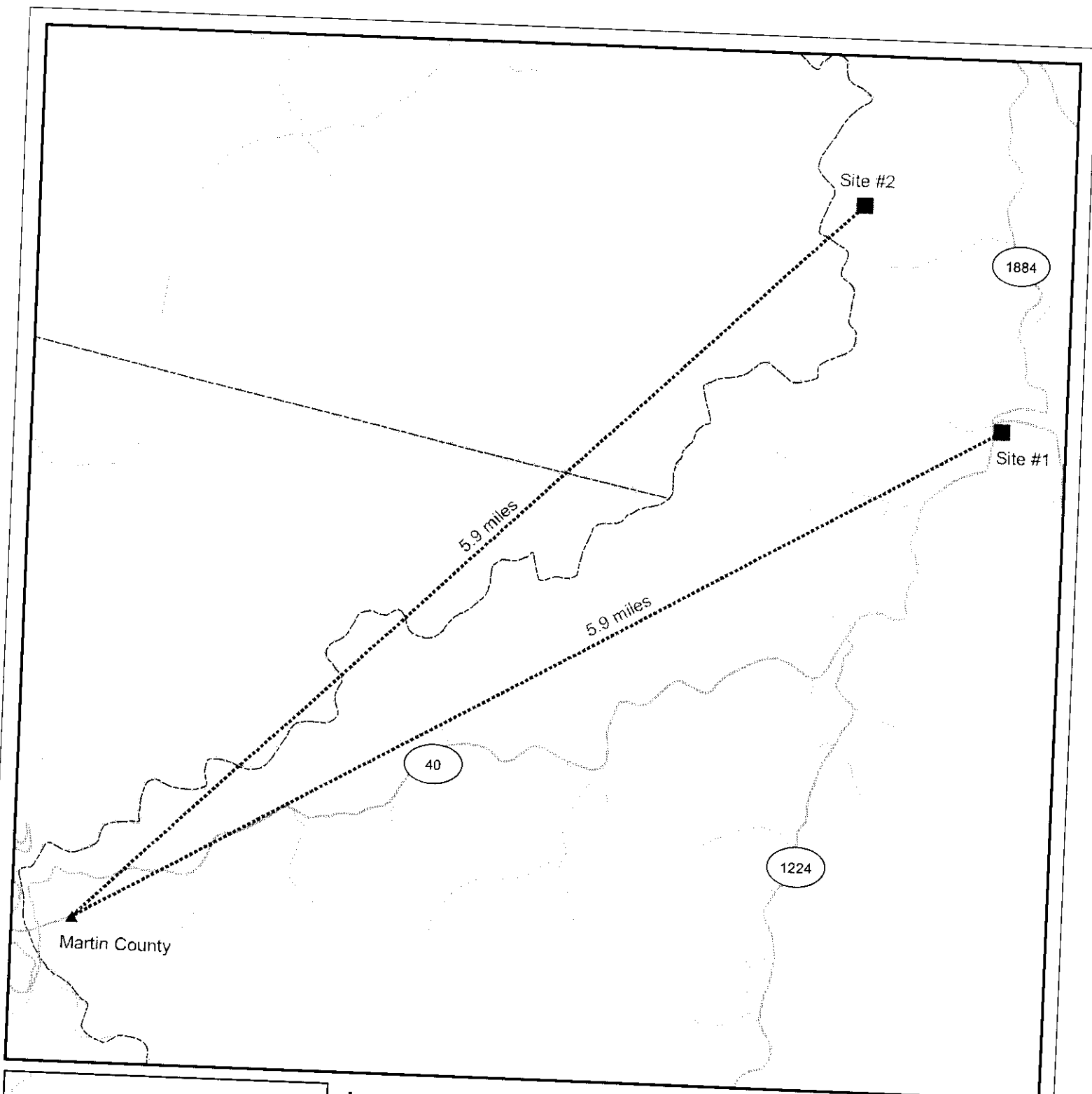
EAST KENTUCKY POWER COOPERATIVE

RECOMMENDED INFLATION RATES FOR CAPITAL IMPROVEMENTS

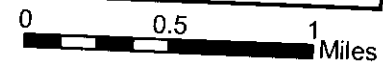
YEARLY INFLATION RATES				
PERIOD			TOTAL DIST PLANT	TOTAL TRANS PLANT
2001	to	2002	1.01915	1.01878
2002	to	2003	1.01942	1.02163
2003	to	2004	1.02089	1.02327
2004	to	2005	1.02407	1.02632
2005	to	2006	1.02586	1.02689
2006	to	2007	1.02320	1.02303
2007	to	2008	1.02352	1.02251
2008	to	2009	1.02407	1.02341
2009	to	2010	1.02217	1.02287
2010	to	2011	1.00862	0.99292
2011	to	2012	1.01943	1.02230
2012	to	2013	1.01957	1.02181
2013	to	2014	1.02243	1.02433
2014	to	2015	1.02462	1.02730
2015	to	2016	1.02355	1.02738
2016	to	2017	1.02348	1.02764
2017	to	2018	1.02430	1.02786
2018	to	2019	1.02550	1.02879
2019	to	2020	1.02703	1.02943
2020	to	2021	1.02800	1.02947
2021	to	2022	1.02949	1.03000
2022	to	2023	1.02904	1.02963
2023	to	2024	1.02861	1.03055
23 YEAR AVG:			1.02331	1.02427
			2.331%	2.427%

CUMULATIVE INFLATION RATES				
PERIOD			TOTAL DIST PLANT	TOTAL TRANS PLANT
2001	to	2002	1.01915	1.01878
2001	to	2003	1.03894	1.04082
2001	to	2004	1.06064	1.06503
2001	to	2005	1.08618	1.09306
2001	to	2006	1.11427	1.12245
2001	to	2007	1.14012	1.14830
2001	to	2008	1.16693	1.17415
2001	to	2009	1.19502	1.20163
2001	to	2010	1.22151	1.22912
2001	to	2011	1.23205	1.22041
2001	to	2012	1.25598	1.24762
2001	to	2013	1.28056	1.27483
2001	to	2014	1.30929	1.30585
2001	to	2015	1.34153	1.34150
2001	to	2016	1.37312	1.37823
2001	to	2017	1.40536	1.41633
2001	to	2018	1.43951	1.45578
2001	to	2019	1.47622	1.49769
2001	to	2020	1.51612	1.54177
2001	to	2021	1.55857	1.58721
2001	to	2022	1.60453	1.63483
2001	to	2023	1.65113	1.68327
2001	to	2024	1.69837	1.73469

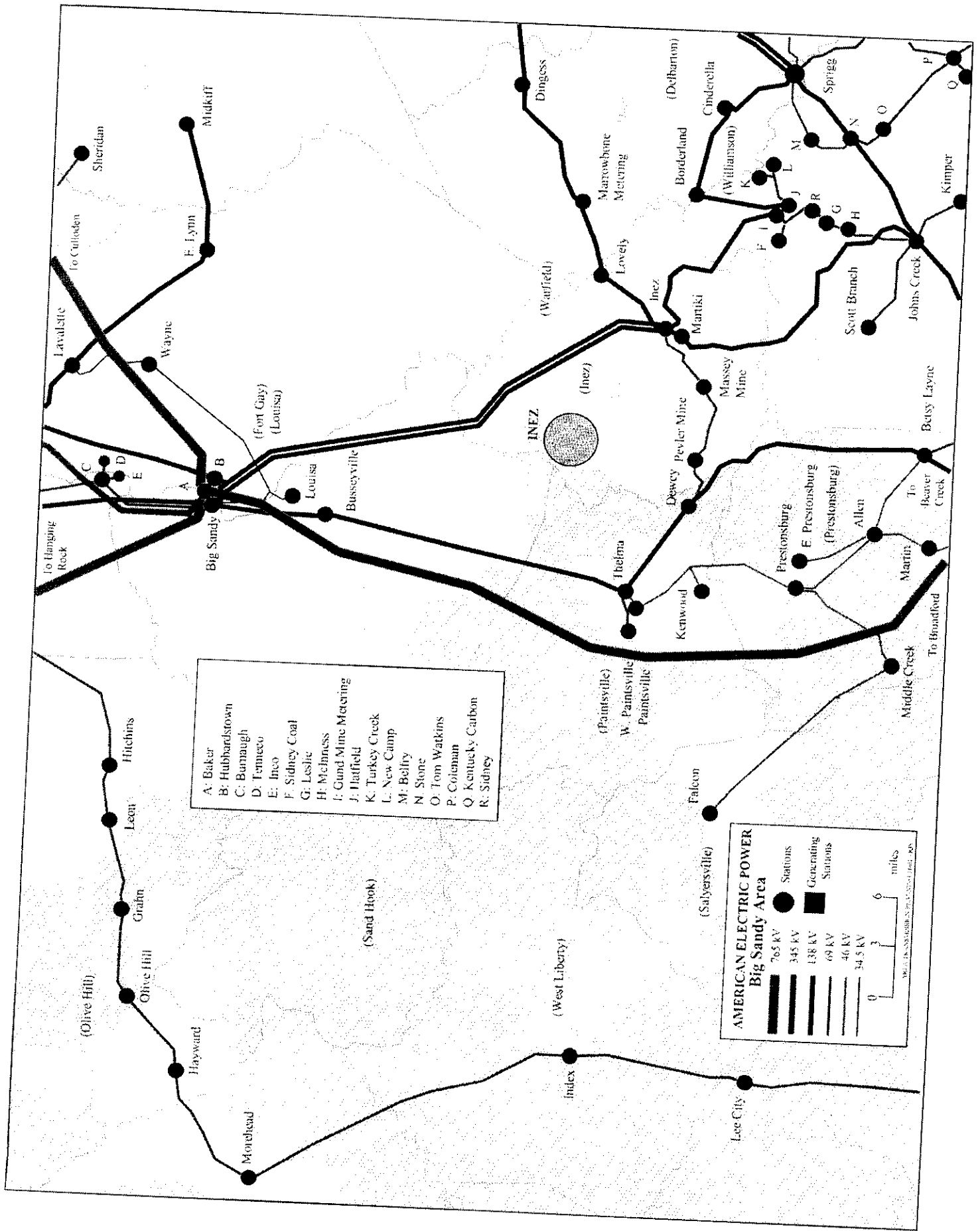
1. 2001- 2010 came from Standard & Poor's DRI Utility Cost and Price Review as of July 31,2001.
2. 2011 - 2024 came from 2nd Quarter 2000 Standard & Poor's DRI Utility Cost and Price Review.



- Legend**
- ▲ Existing Substation
 - Proposed Substation Site
 - Proposed Transmission
 - Existing 69kV Transmission
 - Interstates, Parways
 - US Highways
 - KY Routes
 - County Boundary



Inez Substation Proposed Sites



David Estepp

From: Greg McKinney [gregm@ekpc.com]
Sent: Thursday, September 05, 2002 11:24 AM
To: Paul Horn (E-mail)
Cc: Dominic Ballard; Doug Meadows; Ronnie Terrill; David Estepp (E-mail)
Subject: Cost Estimates for Potential Beechfork Substation Sites

Paul,

Here is the rough cost estimates between the two potential sites. The substation will cost roughly the same for both locations and was deliberately left out of these estimates.

Site 1 - Original Location

EKPC's 69 kV Line	\$150,000
AEP Interconnection	\$362,000
	\$512,000

Site 2 - Adjacent to AEP's Line

EKPC's 69 kV Line	\$0	
AEP Interconnection	\$285,851	(1)
	\$285,851	

Total Savings for Site 2:	\$226,149
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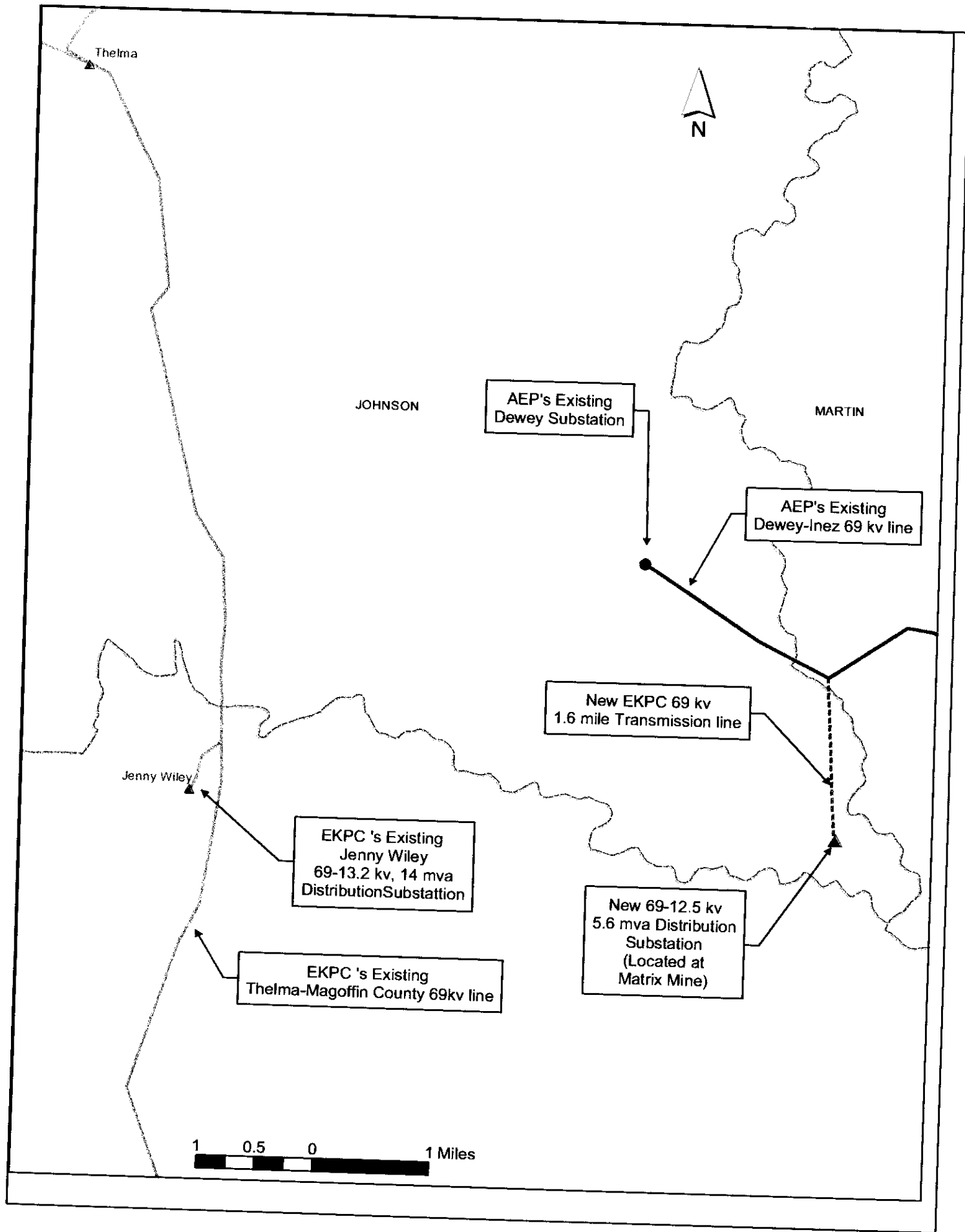
Notes:

1. This estimate has not been confirmed with AEP.
2. Grading work is significantly less for Site 2.

Thanks.

Greg McKinney, P.E., Senior Engineer
East Kentucky Power Cooperative

1791
C. 1791



FORM FOR FILING RATE SCHEDULES

FOR ALL TERRITORIES SERVED

PSC NO. 2002-00436

BIG SANDY RURAL ELECTRIC
COOPERATIVE CORPORATION

ORIGINAL SHEET NO. 12

CANCELLING PSC NO. 98-567

ORIGINAL SHEET NO. 12

CLASSIFICATION OF SERVICE

SCHEDULE LPR LARGE POWER SERVICE

RATE PER UNIT

The allowance for line losses will not exceed 10% and is based on a 12-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.


SPECIAL PROVISIONS:

1. Delivery Point – If service is furnished at secondary voltage, the delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines, and other electric equipment on the load side of the delivery point shall be the point of attachment of Seller's primary line to customer's transformer structure unless otherwise specified in the contract for service. All wiring, pole lines, and other electrical equipment (except metering equipment on the load side of the delivery point) shall be owned and maintained by the customer.
2. Lighting – Both power and lighting shall be billed at the foregoing rate.
3. Primary Service – If service is furnished at 7620/13200 volts or above, the Primary Meter Energy Charge shall apply.

TERMS OF PAYMENT:

All of the above rates are net, the gross rates being ten percent (10%) higher. In the event the current monthly bill is not paid within 15 days from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: APRIL 23, 2003

ISSUED BY: 

DATE EFFECTIVE: MAY 1, 2003

TITLE: PRESIDENT/GENERAL MANAGER

Issued by authority of an Order of the Public Service Commission of Kentucky in Case No. 2002-00436, dated April 23, 2003.